

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-383-WS - ORDER NO. 2013-821
NOVEMBER 12, 2013

IN RE: Application of Carolina Water Service,)	ORDER APPROVING
Incorporated for Approval of a Bulk Sewer)	SETTLEMENT
Service Agreement between Carolina Water)	AGREEMENT AND
Service, Incorporated and Utilities,)	APPLICATION
Incorporated and Georgetown County Water)	
and Sewer District)	

This matter comes before the Public Service Commission of South Carolina (“the Commission”) on the Application of Carolina Water Service, Incorporated (“CWS” or “the Company”) for approval of an agreement with the Georgetown County Water and Sewer District for bulk service collection from the Lincolnshire and Whites Creek Subdivisions (collectively “LWC” or “Lincolnshire/Whites Creek” or “Whites Creek/Lincolnshire”) sewerage collection facilities located in Georgetown County, South Carolina.

Pursuant to the instructions of the Commission’s Clerk’s Office, the Company published a Notice of Filing in newspapers of general circulation in the Company’s service area, and furnished a copy of the Notice to each affected customer. The Company furnished affidavits to show that it had complied with the instructions of the Clerk’s Office. No petitions to intervene were filed. The Office of Regulatory Staff (“ORS”) is automatically a party to the proceeding, pursuant to S.C. Code Ann. Section 58-4-50 (4) (Supp. 2012).

A night hearing on the matter was held on July 11, 2013, in Georgetown, South Carolina, so that the affected members of the public could express their views on the matter.

A hearing was also held in the offices of the Commission at 101 Executive Center Drive, Columbia, South Carolina on August 8, 2013, at 10:30 AM. The Honorable O'Neal Hamilton, Chairman, presided at both hearings. The Company was represented at both hearings by Scott Elliott, Esquire. At the August 8, 2013, hearing, CWS presented the testimony of Patrick C. Flynn, Regional Director of Utilities, Inc. ORS was represented at both hearings by Nanette S. Edwards, Esquire. Also at the August 8, 2013, hearing, ORS presented the subpoenaed testimony of Jeffrey P. deBessonett, Director of Water Facilities Permitting for the South Carolina Department of Health and Environmental Control ("SCDHEC"), and the testimony of Willie J. Morgan, Program Manager for the Water and Wastewater Department of ORS, together as a panel.

CWS first presented the testimony of Patrick C. Flynn, of Utilities, Inc., the parent corporation of CWS, in support of the Application. Flynn noted that CWS provides sanitary sewer service to 250+ premises located within the Whites Creek and Lincolnshire subdivisions in Georgetown County. CWS and Georgetown have negotiated an Agreement in which Georgetown would provide bulk sewer services to CWS. Under that Agreement, Georgetown would accept the sewage collected by CWS from the Whites Creek and Lincolnshire subdivisions at a metered delivery point at or near the two subdivisions and transport it through Georgetown's collection system to the Georgetown County Water and Sewer District's wastewater

treatment facilities. CWS' Lincolnshire/Whites Creek Wastewater Treatment Facility would ultimately be decommissioned. According to CWS, a typical customer would pay \$41.73 per month, based on a collection charge of \$26.73, and a \$15.00 pro rata charge, based on 7,000 gallons per month in sewer flow. The witness later modified this figure to \$53.36 a month, based on 2012 flow data. The terms of the Agreement state that CWS is responsible for payment of the sewer connection fee of \$339,000, which would be reviewed by ORS, and presented in the next CWS rate proceeding.

Flynn testified that the system suffers from excess inflow and infiltration ("I & I") during and after rain events. If interconnection with the Georgetown system is established, the present treatment plant will no longer be in use. CWS intends to invest as much as \$900,000 in the system in 2013 in capital improvements to the system, decommission the treatment plant, and correct the deficiencies in the collection system. Diverting flow to Georgetown will also eliminate all treatment plant flow that is discharged into a small creek that is a tributary to the Waccamaw River, an impaired waterway.

Flynn stated that, if the bulk service agreement is not approved, CWS will initiate the design of an upgrade to the treatment plant sufficient to meet permit limits contained in the current operating permit, which will cost about \$1 million. Annual operating costs of the upgraded treatment plant will be substantially greater than the cost to operate the existing plant. There will be increased staffing requirements, purchased power, monitoring, repair, and maintenance costs.

Jeffrey P. deBessonett of SCDHEC testified that the CWS Whites Creek/Lincolnshire system has been cited for numerous violations over the last twenty years, and that many of the problems are due to significant inflow/infiltration in the collection system during wet weather events and when the groundwater table is high. Since 2010, the weekly average discharge flow has ranged from about 61,000 gallons per day to 316,000 gallons per day into a plant permitted for 125,000 gallons per day. The January through May 2013 reports show average monthly flow data ranging from 98,200 to 206,500 gallons per day. CWS entered into a Consent Order with DHEC for its wastewater operations in Georgetown County on April 10, 2012, but has failed to comply with certain limits contained in its NPDES Permits.

The Office of Regulatory Staff also presented the testimony of Willie J. Morgan. Morgan sharply disagreed with the Company with regard to the resultant customer rate if the proposed Agreement was approved. Morgan stated that the monthly sewer rate could more than double, depending on the monthly sewer flow. Present bills are \$40.56 per month. If the Agreement is approved, Morgan believes that the bills will be in excess of \$100 monthly, which, in his opinion, is unjust and unreasonable. Morgan testified that CWS had failed to address the continuing problem of inflow/infiltration within its collection system.

Prior to the conclusion of the hearing, the parties asked to recess the hearing, so that possible settlement discussions could commence. The Commission granted the request, and ultimately, at a date subsequent to the hearing, the parties announced that they had reached a Settlement Agreement (“the Agreement”), which requests that this

Commission approve the Application as amended by the Settlement Agreement. The original Agreement between the parties is attached hereto as Order Exhibit No. 1, and the Settlement Agreement described above is attached hereto as Order Exhibit No. 2. The parties now request that we approve the Settlement Agreement, and, because of the reasoning stated below, we do approve it as being in the public interest. Accordingly, we also approve the Company's Application, as amended by the Settlement Agreement.

ORS subsequently determined that the total monthly charge for the individual sewer customers in the Lincolnshire and Whites Creek Subdivisions in Georgetown, South Carolina would range between \$80.00 to \$94.94, if the Agreement with the Georgetown District was approved, due to significant inflow and infiltration issues in the system. The current rate is \$40.56 per unit.

CWS stated that it has begun work to address the I & I concerns with the Lincolnshire/Whites Creek collection system and will conclude its I & I remediation in November of 2013. CWS agrees to hold its current rates in place of \$40.56 per unit until March of 2014, which is the date of the order in the pending CWS rate case in Docket No. 2013-275-W/S, with the understanding that expedited approval of the Settlement Agreement shall be sought by the Parties in this docket. The parties have requested expedited approval from this Commission.

Under the terms of the Agreement, CWS shall monitor flow in the system through January and February of 2014, which are normally the months associated with the heaviest rainfall, and shall provide the results to ORS. The Company's Discharge Monitoring Reports filed by the Company with SCDHEC will also be furnished to ORS.

If the I & I remediation brings CWS's flow within expected limits (90,000 gallons per day), the Company would begin charging its pass-through rate approved by the Commission in Docket No. 2013-275-W/S under the terms of the rate Order issued in that Docket. If the flow exceeds expectations, the affected customers would be charged the flat rate established by the Commission in the rate Order in Docket No. 2013-275-W/S.

In consideration for these actions by CWS, ORS agrees under the Settlement Agreement to examine the cost of interconnection between CWS and Georgetown in Docket No. 2013-275-W/S, so long as these costs are available for review prior to the hearing. Examples of these costs as listed in the Settlement Agreement are tap fees, the cost of the physical interconnection, and the cost of the I & I remediation. All costs are subject to ORS audit and review in accordance with normal auditing procedures.

With regard to decommissioning costs for the existing plant, the Company will, pursuant to the Agreement, file a request with this Commission for an Accounting Order, once these costs are known.

The parties agree that the Settlement Agreement is reasonable, in the public interest, and in accordance with law and regulatory policy. After a thorough examination of the Agreement, we concur. First, the Settlement Agreement addresses remediation of the long-term infiltration/inflow problem present in the LWC collection system. We note with approval that the Company cites a November 2013 completion date for this work. We believe that, with the remediation, the Agreement contributes to the solution of a problem of long standing. Second, we believe that the Settlement Agreement results in

rates that are fair to the sewer customers living in the two subdivisions. The current rate will remain in place until March of 2014. After that, the Company will analyze the results of a new flow study for the collection system. If the flow is below the 90,000 gallons per day standard, then the Company will charge the customers the pass-through rate established in the Company's rate case in Docket No. 2013-275-W/S. If the flow exceeded that amount, the Company would charge only the flat rate for sewer resulting from the Company's rate case. This is a fair, just, and reasonable result, and prevents the affected customers from being charged rates based directly on the amount of flow in the collection system, which has been considerable and variable in the past.


Third, ORS has agreed to examine the cost of interconnection between CWS and Georgetown in Docket No. 2013-275-W/S, so long as these costs are available for review prior to the hearing. Decommissioning costs for the Lincolnshire/Whites Creek plant will be the subject of a later request for an Accounting Order, once these costs are known. CWS states that, upon approval of the Settlement Agreement, it will immediately begin work to complete the interconnection with the Georgetown Water and Sewer District. As Mr. deBessonett's testimony showed, the Lincolnshire/Whites Creek treatment plant has been the source of many compliance issues with SCDHEC. Eventual decommissioning of the plant and interconnection with the Georgetown system will solve these issues, and is also consistent with the original Section 208 plan. Although CWS has not insulated the CWS customers in Georgetown from sharing in the ultimate costs of interconnecting with the Georgetown Water and Sewer District, the Company has done what it could to remove the flow rate from the calculation of the sewer rate for these customers for every

day sewer service.

Because of all of these factors, the Settlement Agreement is approved. Further, the Company's Application is therefore approved as amended by the terms of the Settlement Agreement approved herein.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:


G. O'Neal Hamilton, Chairman

ATTEST:



Nikiya Hall, Vice Chairman

(SEAL)

GEORGETOWN COUNTY WATER AND SEWER DISTRICT

BULK SEWER SERVICE AGREEMENT

Georgetown County Water and Sewer District, hereinafter "GCWSD" or "District", Carolina Water Service, Inc., hereinafter "Customer", and Utilities, Inc., hereinafter "Guarantor" hereby enter into this Bulk Sewer Service Agreement ("Agreement") and in mutual consideration of the provisions herein contained and for other good and valuable consideration, agree as follows:

I. BULK SEWER SERVICES

A. OBLIGATION TO SUPPLY BULK SEWER SERVICE:

GCWSD agrees to furnish Bulk Sewer services for use by Customer subject to the conditions set forth in this Agreement and the terms and conditions set forth in the Bulk Sewer Service Rate Schedule S-8 (sometimes referred to as "Rate Schedule"). GCWSD will supply Bulk Sewer service in the service area as described in Exhibit I from the delivery point specified in Exhibit I. As reflected in Exhibit 1, these rates and charges are subject to change periodically at the discretion of the District.

B. SERVICE CHARACTERISTICS:

- a. Wastewater delivered by the Customer shall not exceed a maximum flow rate of 400 gallons per minute and will consist only of wastewater with normal domestic wastewater characteristics.
- b. The Customer connection to the GCWSD wastewater transmission lines from the Customer's wastewater pumping station and the metering device will be designed and installed by Customer at the sole source and expense of Customer in accordance with the rules, regulations, and standards of GCWSD, provided a permit or permits are issued as required by the S.C. Department of Health and Environmental Control, hereinafter "SCDHEC". The plans and specifications for the proposed interconnection will be provided by the Customer to GCWSD in advance to review and approve, which approval will not be unreasonably withheld. Customer shall convey to the GCWSD, by a conveyance document satisfactory to GCWSD, the force main and meter upon acceptance of the meter installation by GCWSD.
- c. The Parties agree that said connection will be completed no later than 6 months after Customer receives a written order from the Public Service Agreement of South Carolina ("PSC") approving this Agreement.
- d. GCWSD shall provide an interceptor sewer transmission main sufficient to provide Customer with 152,000 gallons of wastewater capacity per day.
- e. The Customer shall operate and maintain the wastewater pumping station in good repair and sound operating condition as determined by SCDHEC. The Customer shall operate and maintain the connection from the Customer's wastewater pumping station to the District's meter. The District shall maintain the sewer metering device placed

between the Customer's wastewater pumping station and the District's interceptor sewer transmission main.

C. CUSTOMER OBLIGATION TO MAINTAIN and COMPLY:

While this Agreement remains in effect, Customer represents, agrees, and covenants as an essential term that it will adequately and timely maintain its system in good and compliant working order so that sewer service shall be delivered to its customers safely, compliantly, and efficiently.

Customer will in all respects operate its system in full and timely compliance with all applicable state and federal rules, regulations, statutes and codes. Customer is solely responsible for compliance, design, operation, maintenance, and integrity of its system.

II. **LIMITATION OF GCWSD LIABILITY and INDEMNIFICATION**

Notwithstanding anything herein to the contrary, GCWSD shall not be liable for damages to the Customer or the Customer's customers occasioned by reductions, curtailments, or interruptions of sewer service or for failure to provide sewer service as a result of "force majeure" or the Customer's non-compliance with the provisions of paragraph "I.C. CUSTOMER OBLIGATION TO MAINTAIN and COMPLY" as stated above. In the event that GCWSD shall be rendered substantially unable, as a result of force majeure or Customer's non-compliance, to carry out its obligations hereunder, this Agreement shall not be terminated, but the obligations of GCWSD, so far, but only so far, as they are affected by such force majeure or non-compliance, shall be suspended during the continuance of any inability so caused but for no longer period, GCWSD shall remedy such inability with all reasonable dispatch.

The term "force majeure" shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, hurricanes, civil disturbances, acts of terrorism, actions or orders of any governmental authority or court having jurisdiction in the premises and any other cause, whether of the kind herein enumerated or otherwise, not within the reasonable control of GCWSD and which by the exercise of reasonable diligence, GCWSD is unable to prevent or overcome; such term likewise includes: (a) in those instances where GCWSD or GCWSD's wholesale sewer treatment provider is required to obtain rights, easements, or permits to enable GCWSD to fulfill its obligations, the inability of GCWSD or GCWSD's wholesale sewer treatment provider to acquire, or the delays on the part of GCWSD or GCWSD's wholesale sewer treatment provider in acquiring, at reasonable cost and after the exercise of reasonable diligence, such rights, easements, or permits; (b) in those instances where GCWSD or GCWSD's wholesale sewer treatment provider is required to obtain materials and supplies for the purpose of constructing or maintaining facilities to enable GCWSD to fulfill its obligations, the inability of GCWSD or GCWSD's wholesale sewer treatment provider to acquire, or the delays on the part of GCWSD or GCWSD's wholesale sewer treatment provider in acquiring, at reasonable cost and after the exercise of reasonable diligence, such materials and supplies; and, (c) those instances where construction, changeover, inspection, repair or maintenance of the sewer facilities of GCWSD or the facilities of any other sewer service provider from or through which GCWSD acquires sewer treatment services to be furnished to Customer hereunder are necessary in the judgment of the party so performing the work. The

settlement of strikes or labor disturbances involving GCWSD or GCWSD's wholesale sewer treatment provider shall be entirely within the discretion of GCWSD or GCWSD's wholesale sewer treatment provider and any requirement of force majeure shall be remedied with all reasonable dispatch and shall not require the settlement of strikes or labor disturbances by acceding to the demands of the opposing party or parties when such course is inadvisable in the discretion of GCWSD or GCWSD's wholesale sewer treatment provider. GCWSD and GCWSD's wholesale sewer treatment provider shall make diligent efforts to maintain service under this Agreement, and to restore service as quickly as possible.

Notwithstanding anything herein to the contrary, GCWSD shall not be liable for and shall be completely indemnified by the Customer from and against all damages, claims, demands, fines, penalties, or awards, of any kind or nature (including actual costs and actual attorney fees incurred by GCWSD in defending against any claim, demand, fine, penalty, or award or enforcing the provisions of this Agreement) incurred by or sustained by the Customer, the Customer's customers, GCWSD or any other individual, corporate or otherwise, resulting from or in any way related to: reductions, curtailments, interruptions of sewer service or failure to provide sewer service in the Customer's service area except to the extent caused by GCWSD's negligence or willful misconduct; failure to adequately maintain or adequately construct Customer's system; inadequacies in or the need to repair or replace in whole or in part the Customer's sewer system; Customer's failure to comply with any rule, regulation, statute or directive of any regulating agency, body or supervising court.

III. GUARANTY

Guarantor hereby absolutely, irrevocably and unconditionally guarantees to GCWSD (and its successors and assigns) the payment and performance of the any obligations of the Customer under any provision of this Agreement when the same shall be due, payable or to be performed. Guarantors hereby absolutely, irrevocably and unconditionally covenants and agrees that they are liable, jointly and severally with the Customer, for any and all obligations of the Customer under this Agreement as a primary obligor, and that such Guarantor shall fully perform, jointly and severally, each and every term and provision hereof. This Guaranty is an irrevocable, absolute, continuing guaranty of payment and performance and is joint and several with the obligation of the Customer. This Guaranty shall continue to be effective with respect to any and all obligations of the Customer under this Agreement in the event of attempted revocation, insolvency, bankruptcy, or cessation of business activity of the Customer. The fact that at any time or from time to time the obligations of the Customer may be increased or reduced shall not release or discharge the obligation of Guarantor to GCWSD.

IV. TERM and TERMINATION

- A. The term of this Agreement shall begin on the date of execution of the Agreement by both parties and the payment of the application fee and sewer impact fees as identified in Exhibit II attached, and remain in force for a period of five (5) years, renewing automatically for like successive terms unless notice is provided in accordance with IV. B. below.
- B. The Agreement shall automatically renew as provided in IV.A. above unless either party provides written notice to the other party no less than sixty (60) days in advance of the

expiration of the current term by certified mail, return receipt requested, that said party does not desire the Agreement to be renewed.

- C. Except as specified in "III. Guaranty" above and "VII.A.g and h." below where other terms apply, either Party may terminate this Agreement upon ninety (90) days advance written notice if the other is in material breach of its obligations hereunder and such breach has not been cured within seventy-five (75) days after receiving notice of such breach from the non-breaching Party. The notice shall specify with particularity the grounds of said alleged material breach and the actions required to be undertaken to cure said alleged default.
- D. Modifications of the Agreement may be made at any time by mutual written agreement of the parties.

V. AGREEMENT ADMINISTRATION

A. AGREEMENT TO PAY:

Customer agrees and covenants to timely pay GCWSD at the applicable rate(s) specified in Exhibit II, and consistent with the Standard Terms and Conditions provided in the District's current Rates and Charges Resolution, a copy of which has been provided to Customer by GCWSD.

B. BULK SEWER RATE FOR USE IN EXCESS OF PURCHASED CAPACITY:

As set forth in Exhibit II, in the event that Customer uses wastewater treatment services in excess of the capacity purchased by the payment of impact fees, the Customer will pay a higher tier rate. Also, as set forth in Exhibit II, usage will be reviewed each year to determine if sewer demand charges would apply. Sewer Demand Charges are explained in full in Rate Schedule S-10. Customer's account will be billed and payments made monthly; late payments shall be penalized as established by Rate Schedule G-4. All current fees, charges and rates are set forth in Exhibit II attached hereto.

VI. REVIEW OF PURCHASED CAPACITY

The Customer agrees to purchase an initial capacity allotment of three hundred (300) residential equivalency units (REUs), which represents the number of serviceable lots present in the Customer's service area. Payment of the sewer impact fee is based on a rate of one thousand one hundred thirty dollars (\$1,130.00) per REU for a total payment of three hundred thirty-nine thousand dollars (\$339,000.00). The Customer acknowledges current wastewater flows from the service area exceed average wastewater flows per household as established by SCDHEC. As such, the Customer agrees to attempt to reduce average wastewater flows through system improvements. The Customer acknowledges the right of GCWSD to evaluate historical wastewater flows generated by Customer and require the purchase of additional capacity (Sewer Impact Fees) by the Customer prior to renewal of the Agreement as specified in Section II. The determination of the amount of additional sewer impact fees required will be based on the average wastewater flows generated by the Customer during the twelve month period prior to the renewal of the Agreement. The prevailing GCWSD impact fee will apply.

VII. GENERAL PROVISIONS

A. GENERAL TERMS

- a. Wastewater services supplied hereunder shall be at a single point or multiple points of metering, as established by mutual agreement.
- b. Billing, payments and penalties will be handled in accordance with the District's existing policies, or as such practices may be changed or amended from time to time. Billing of monthly fees and charges will not begin until delivery of the services contemplated by this Agreement commences.
- c. The District's representative shall have the right of ingress and egress to the Customer's property located within its service area as described in Exhibit I at any time for any purpose involving the service of wastewater as provided under this Agreement.
- d. Both parties shall have access to the metering devices approved by GCWSD and installed by Customer for examination and visual inspection at all reasonable times, but the reading for billing purposes, calibration adjustment and maintenance shall be done only by the employees or agents of GCWSD.
- e. At least annually GCWSD shall have an independent certified meter testing firm calibrate the wastewater metering device(s) installed by Customer. GCWSD shall give Customer a minimum of 48 hours advance notice of such meter testing and calibration so that a representative of the Customer may have the opportunity to be present.
- f. Upon the specific request of the Customer, GCWSD shall schedule certification of the metering device(s) by a certified testing and calibration firm and shall give such advance notification as is reasonable under the circumstances. In the event such certification indicates that the meter is not accurate within AWWA standards for the metering device installed, GCWSD shall pay for the certification. In the event the metering device is determined to be accurate within the AWWA established standards then Customer shall pay for the certification.
- g. In the event a metering device is not accurate within AWWA established standards, GCWSD shall review available data to determine as accurately as possible the date upon which the inaccuracy began. Upon making such determination, the reading for the one year period immediately prior to the discovery shall be reviewed together with all available documents. Billing during this period of time shall then be recalculated and adjusted as needed.
- h. Service under this Agreement is subject to the rules and regulations of duly constituted regulatory bodies having jurisdiction over either or both parties.
- i. GCWSD agrees that all metering facilities owned by the District shall be installed according to applicable codes, regulations, District standards and maintained in a safe condition.

- j. Wastewater services supplied under this Agreement shall be subject to the District's Sewer Use Resolution.
- k. Failure to notify the District of any changes in wastewater use or relevant alteration having a material impact on flow generated by Customers will be considered a material breach of this Agreement. Upon "Notice of Material Breach", Customer shall provide a plan to remedy the material breach within 30 days. Failure to restore property and/or wastewater use to conditions as described herein in a timely manner shall result in immediate termination of service.
- l. Within ninety (90) days of the execution of this Agreement, Customer will secure approval of this Agreement. GCWSD acknowledges the obligation of Customer to obtain such approval from the PSC, which is not obligated to approve the Agreement by a date certain. Customer will petition PSC to approve the Agreement within thirty (30) days of its execution and make earnest effort to obtain such approval in an expeditious manner. Failure to secure approval within ninety days will void the Agreement absent extension of the Agreement by mutual, written consent of the parties. If the agreement is voided as a result of the failure to secure approval from PSC, impact fees will be refunded without interest within sixty days of voiding the agreement.

B. RATES AND CHARGES

Customer acknowledges receipt of GCWSD's Rates and Charges Resolution dated June 7, 2012 where the rates as indicated in Exhibit II were adopted by the District's Board of Directors, and further acknowledges that the rates and regulations may be amended by the Board of Directors from time to time; any such amendments are hereby incorporated by reference in their entirety and made a part of this Agreement for all purposes. Prior to any change in Rates, Charges, or Regulations, the District shall provide Customer with at least thirty (30) days written notice.

C. ENTIRE AGREEMENT

This Agreement (including all exhibits, regulations, attachments, or other addenda thereto) reflects the entire agreement of the parties with respect to its subject matter and supersedes all previous written communications, proposals, representations, understandings, and agreements, whether written or oral, between the parties with respect to said subject matter.

D. GOVERNING LAW AND VENUE

This Agreement shall be interpreted solely by the application of the laws, statutes, rules and regulations of the State of South Carolina. Any action taken under this Agreement shall be venued in Georgetown County South Carolina.

E. EFFECTIVE DATE

This Agreement is effective on the last day of execution of this instrument by both GCWSD and Customer and payment of applicable rates and charges.

F. NOTICE

Any notice to be given by CUSTOMER or DISTRICT to the other shall be sent by hand delivery, registered or certified mail with return receipt requested to the respective addresses shown

below. Either party may change its notice address by giving proper written notice to the other as provided herein:

For CUSTOMER:

Carolina Water Service, Inc.
2335 Sanders Road
Northbrook, IL 60062
Attention: President

With a copy to:

Carolina Water Service, Inc.
200 Weathersfield Avenue
Altamonte Springs, FL 32714
Attention: Regional Vice President

For DISTRICT:

Georgetown County Water and Sewer District
456 Clearwater Drive
Pawleys Island, SC 29585
Attention: Executive Director

With a copy to:

James J. Hinchey
Hinchey, Murray & Pagliarini LLC
18 N. Adgers Wharf
Charleston, South Carolina 29401

GEORGETOWN COUNTY WATER AND SEWER DISTRICT

BY:


RAYMOND E. GAGNON, P.E., EXECUTIVE DIRECTOR

DATE:

10/5/12

CAROLINA WATER SERVICE, INC.

BY: 

RICK J. DURHAM, REGIONAL VICE PRESIDENT

DATE: 

10/1/2012

UTILITIES, INC.

BY: _____

LISA A. SPARROW, PRESIDENT

DATE: _____

Order Exhibit No. 1

Docket No. 2012-383-WS

Order No. 2013-821

November 12, 2013

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CAROLINA WATER SERVICE, INC.

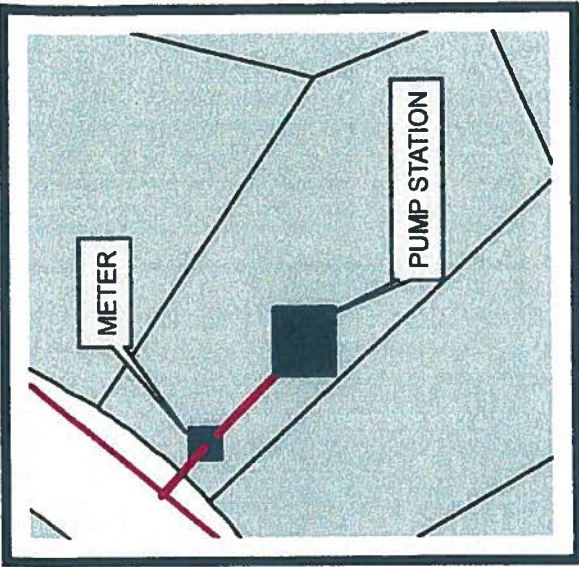
BY: _____
RICK J. DURHAM, REGIONAL VICE PRESIDENT

DATE: _____

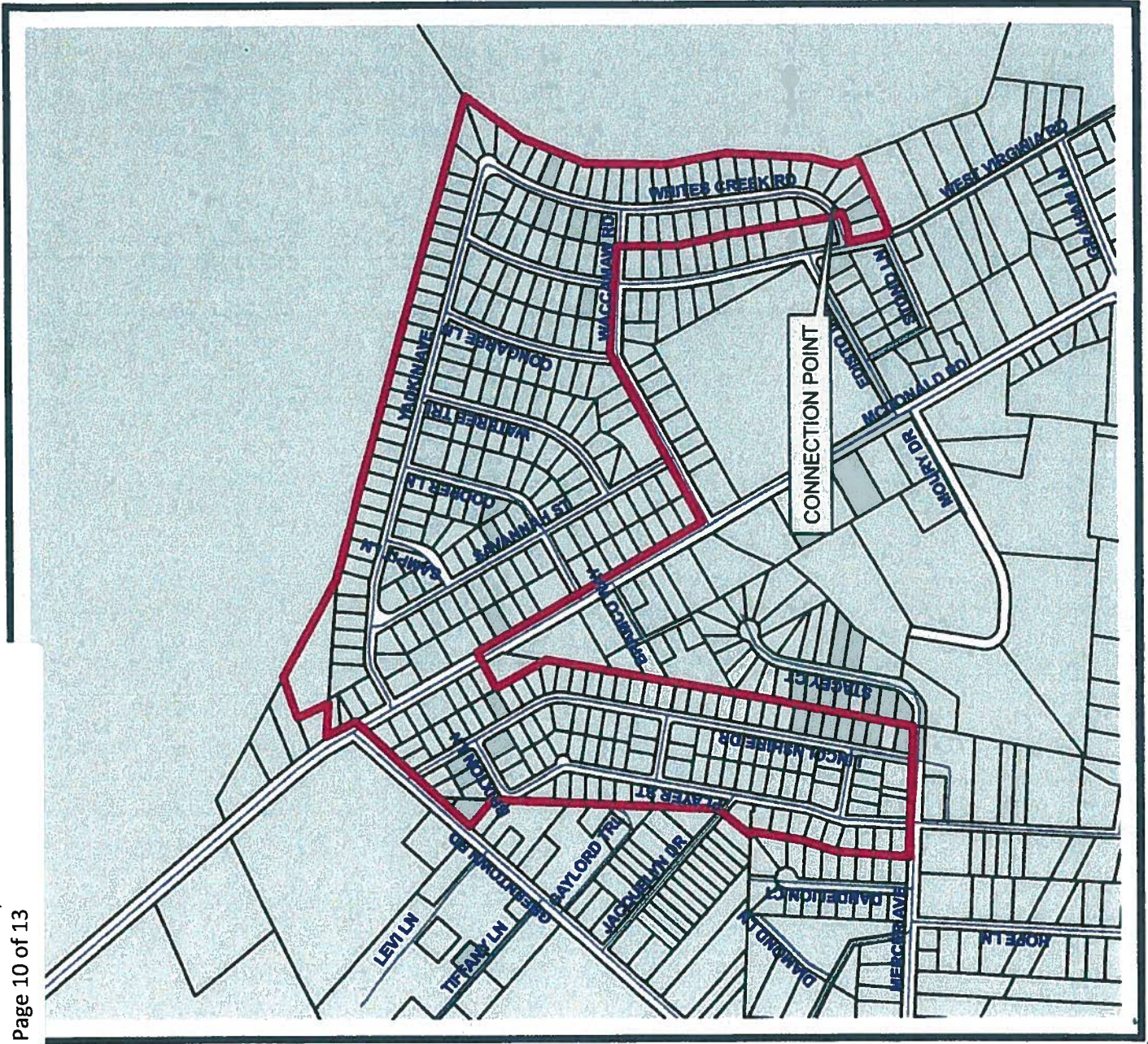
UTILITIES, INC.

BY: _____
LISA A. SPARROW, PRESIDENT & CEO

DATE: 10/11/12



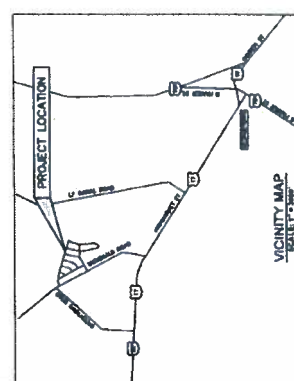
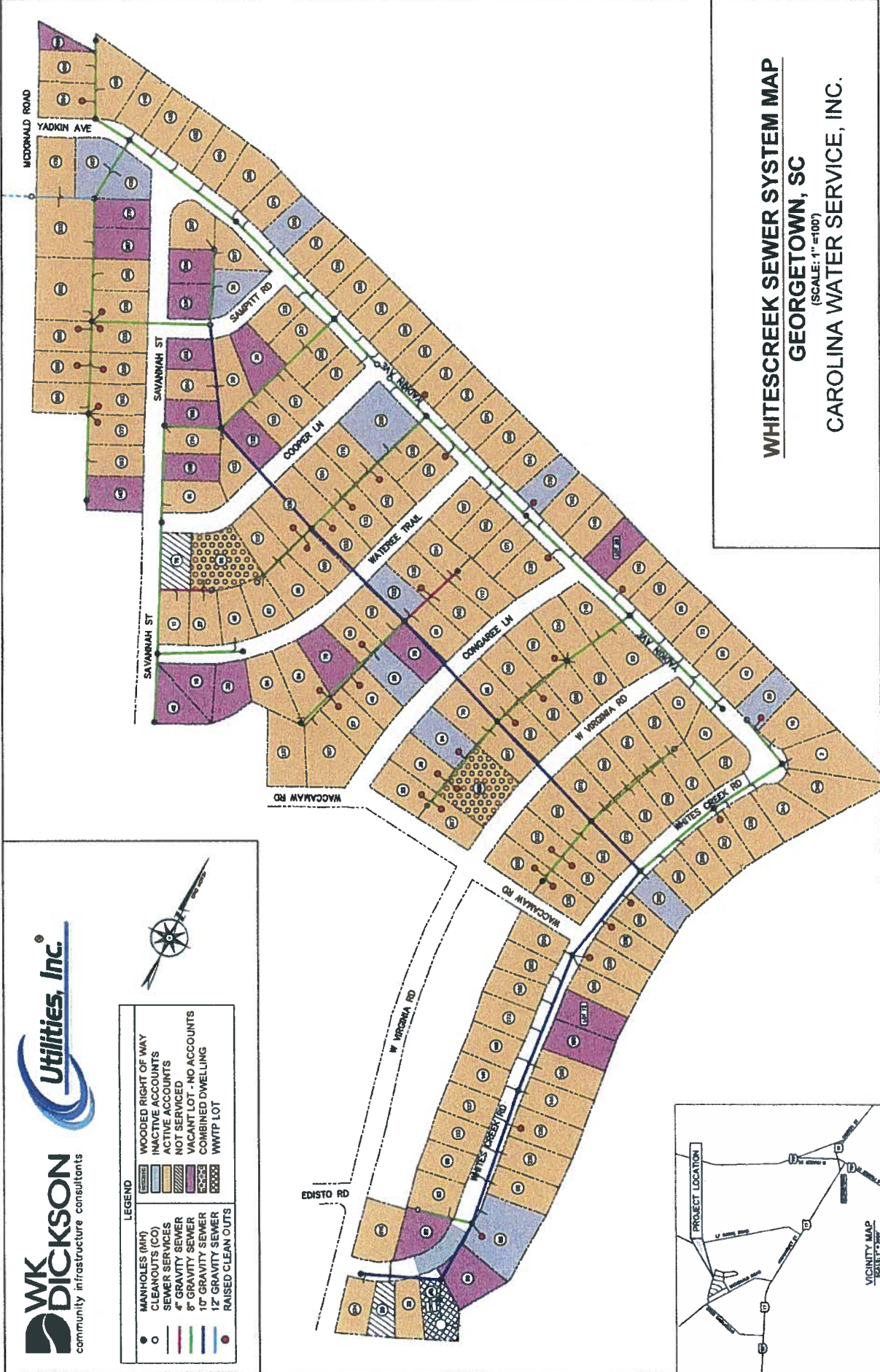
WHITES CREEK & LINCOLNSHIRE EXHIBIT 1



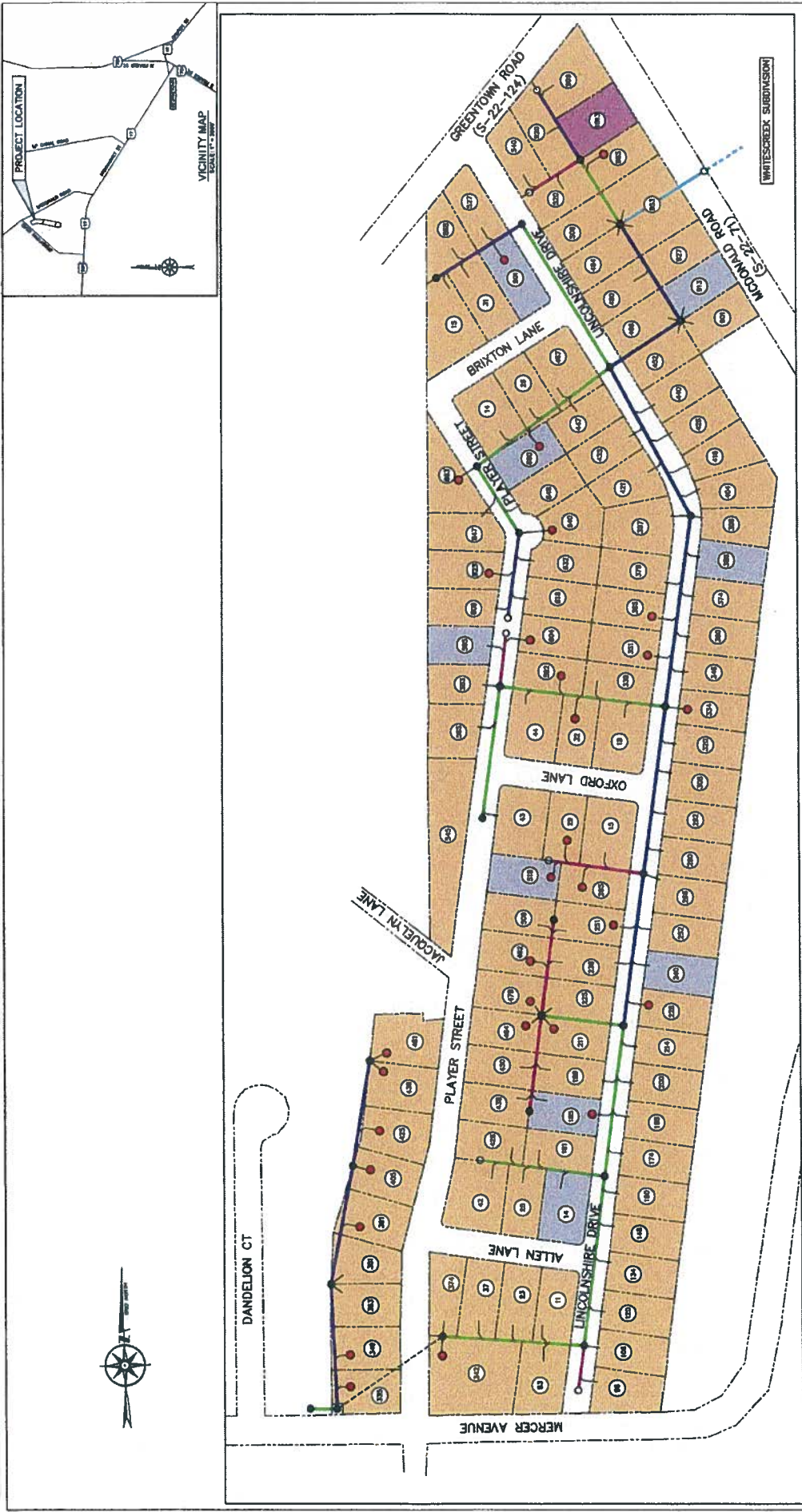


WK DICKSON
 community infrastructure consultants

LEGEND	
MANHOLES (MH)	WOODED RIGHT OF WAY
CLEANOUTS (CO)	INACTIVE ACCOUNTS
SEWER SERVICES	ACTIVE ACCOUNTS
4" GRAVITY SEWER	NOT SERVICED
8" GRAVITY SEWER	VACANT LOT - NO ACCOUNTS
10" GRAVITY SEWER	COMBINED DWELLING
12" GRAVITY SEWER	WMTP LOT
RAISED CLEAN OUTS	



WHITESCREEK SEWER SYSTEM MAP
GEORGETOWN, SC
 (SCALE: 1"=100')
CAROLINA WATER SERVICE, INC.



LEGEND

MANHOLES (MH)	INACTIVE ACCOUNTS
CLEANOUTS (CO)	ACTIVE ACCOUNTS
SEWER SERVICES	VACANT LOT - NO ACCOUNTS
4" GRAVITY SEWER	
8" GRAVITY SEWER	
10" GRAVITY SEWER	
12" GRAVITY SEWER	
RAISED CLEAN OUTS	

LINCOLNSHIRE SEWER SYSTEM MAP
GEORGETOWN, SC
 (SCALE: 1" = 80')

CAROLINA WATER SERVICE, INC.



EXHIBIT II

BULK SEWER SERVICE CHARGES
Fees & Charges

Application Fee:	(\$27.00, one time payment) Schedule#: G-2A
Sewer Impact Fees:	(\$1,130.00 per REU, onetime payment) Schedule#: S-1 Total cost for 300 REUs- \$339,000
Customer Charge:	(\$5.93, charged monthly) Schedule#: G-9
Sewer Availability Charge:	(\$3.74 per REU, charged monthly) Schedule#: G-9 Total cost for 300 REUs - \$1,122 per month
Bulk Sewer Volume Charge: (Assumes 300 REUs)	
Tier I	(\$1.99 per thousand gallons up to 2,100,000 gallons per month)
Tier II	(\$3.33 per thousand gallons for usage in excess of 2,100,000 gallons per month, up to 8,400,000 gallons per month)
Tier III	(\$4.83 per thousand gallons for usage in excess of 8,400,000 gallons per month) Schedule: S-8
Sewer Demand Charge:	(\$7.28 per Demand REU, charged monthly as well as additional Sewer Availability fees) Schedule: S-10 Monthly charge for use in excess of purchased capacity. The Sewer Demand Charge is determined in June of each year and applied to the account in September. The demand charge would not be applied to the proposed account prior to September 2014.

Fees, rates and charges are subject to change

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-383-WS

October 25th, 2013

IN RE: Application of Carolina Water Service, Inc.)
for Approval of a Bulk Sewer Service)
Agreement between Carolina Water Service,)
Inc., and Utilities Incorporated and)
Georgetown County Water and Sewer District)

SETTLEMENT
AGREEMENT

This Settlement Agreement ("Settlement Agreement") is made by and between Carolina Water Service, Inc., ("CWS" or "Company") and, the South Carolina Office of Regulatory Staff ("ORS") (collectively referred to as the "Parties" or sometimes individually as "Party").

WHEREAS, the Company prepared and filed an Application for approval of a bulk sewer service agreement between CWS and Georgetown County Water and Sewer District.

WHEREAS, S.C. Code Ann. § 58-5-210 states:

The Public Service Commission is...vested with the powers and jurisdiction to supervise and regulate the rates and service of every public utility in this State, together with the power, after hearing, to ascertain and fix such just and reasonable standards, classifications, regulations, practices, and measurements of service to be furnished, imposed, observed and followed by every public utility in this State and the State hereby asserts its rights to regulate the rates and services of every "public utility" as herein defined.

WHEREAS, on November 2, 2012, CWS filed an application seeking approval of a bulk sewer service agreement with Georgetown County Water and Sewer District ("Georgetown").

WHEREAS, ORS determined that the total monthly charge would range between \$80.00 to \$94.94 if the agreement with Georgetown was approved due to the significant inflow and infiltration ("I&I") issues in the system.

WHEREAS, the Parties to this Settlement Agreement are parties of record in the above-captioned docket;

WHEREAS, the Parties have engaged in discussions to determine if a Settlement Agreement would be in their best interest, and in the case of ORS, in the public interest;

WHEREAS, following these discussions the Parties have each determined that their interest and the public interest would be best served by agreeing to request approval of the Application as amended below and to other matters in the above-captioned case under the terms and conditions set forth below in this Settlement Agreement; and,

WHEREFORE, in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1. CWS has begun work to address the I&I concerns with the Whites Creek/Lincolnshire collection system and will conclude its I&I remediation in November of 2013.
2. CWS agrees to hold its current rates in place of \$40.56 per unit until March of 2014 which is the date of the order in the pending CWS rate case in Docket No. 2013-275-WS with the understanding that expedited approval of this Settlement Agreement shall be sought by the Parties in this docket.
3. CWS shall monitor flow in the system through January and February, which are normally the months associated with the heaviest rainfall, and shall provide the results to ORS. CWS shall provide ORS with a copy of the Discharge Monitoring Reports ("DMR") filed with the Department of Health and Environmental Control ("DHEC"). The DMR shall be filed with ORS on the date it is due to DHEC.
4. If the I&I remediation brings CWS's flow within expected limits, the Company would begin charging its pass-through rate approved by the Commission in Docket No. 2013-

275-WS; or if the flow exceeds expectations, the affected customers would be charged the flat rate established by the Commission in Docket No. 2013-275-WS. The Parties agree that an expected level of flow is 90,000 gallons per day at the current number of active customers.

5. In consideration of paragraphs 1-4 above, ORS agrees to examine the cost of interconnection between CWS and Georgetown in Docket No. 2013-275-WS so long as these costs are available for review prior to the hearing. These costs include:

- a) Tap fees of \$339,000;
- b) the cost of the physical interconnection (estimated at \$150,000 and anticipated to be completed by January 7, 2014); and
- 3) the cost of the I&I remediation (which is anticipated to be completed in November of 2013).

All costs are subject to ORS audit and review in accordance with normal auditing procedures.

6. Regarding the costs to decommission which are estimated to range between \$160,000 to \$250,000, the Company shall file a request with the Commission for an Accounting Order once its decommissioning costs are known.
7. The Parties agree that this Settlement Agreement is reasonable, in the public interest and in accordance with law and regulatory policy, and the Parties agree to seek expedited approval of this Settlement Agreement such that CWS may immediately begin work to complete the interconnection and include those costs, subject to audit and verification in Docket No. 2013-275-WS.

8. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the above-captioned proceeding, and to take no action inconsistent with its adoption by the Commission.
9. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission in its entirety. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.
10. This written Settlement Agreement contains the complete agreement of the Parties. There are no other terms and conditions to which the Parties have agreed. The Parties agree that this Settlement Agreement will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will the Settlement Agreement or any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.
11. This Settlement Agreement shall be interpreted according to South Carolina law.
12. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement, by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to

bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

Representing the South Carolina Office of Regulatory Staff

A handwritten signature in black ink, reading "Nanette S. Edwards", is written over a horizontal line.

Nanette S. Edwards, Esquire

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Representing Carolina Water Service, Inc.

A handwritten signature in blue ink, appearing to read 'Scott Elliott', is written over a horizontal line.

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